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State of Wisconsin
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June 12, 2009

Ms. Janice Mueller
State Auditor
Legislative Audit Bureau
22 E. Mifflin Street, Suite 500
Madison, WI 53703

Dear Ms. Mueller:

Thank you for the opportunity to respond to the Legislative Audit Bureau's evaluation of Wisconsin Shares. The findings of this audit (and that of Milwaukee County, with whom you worked in partnership) affirms the Department's assessment of program integrity in the Shares program. We are pleased that the issues we have actively identified and the subsequent actions we have taken since the Department's launch on July 1, 2008 align with those suggested by this audit. The Department of Children and Families supports the LAB recommendations to the Department on improvements to the efficiency and effectiveness of the Wisconsin Shares program.

Since the inception of the Department of Children and Families (DCF) last year, we have been working proactively to improve accountability and oversight of the Wisconsin Shares program. The Shares program is essential to ensuring that low income working parents have access to affordable child care that allows them to provide for their families. According to your estimates, up to five percent of subsidy payments are made improperly, and we find this error rate unacceptable. Our actions to reduce fraud reflect our outrage over resources diverted from their intended purpose, and the Department is firmly committed to decreasing improper payments and ultimately leveraging the Shares program to improve the quality of child care in Wisconsin. We believe that these efforts, along with the adoption of a Quality Rating and Improvement system that clearly recognizes and supports high quality providers, will transform the child care landscape in the State of Wisconsin.

The Department is already taking significant steps to address the three major issues raised in the audit: proper eligibility and authorization determination; provider fraud; and child care "rings."

Payments made as a result of improper eligibility determination constitute the majority of identified improper payments in your report. We have begun to work with counties, W-2

agencies, and Tribes to better train, guide, support and monitor our contract partners, including:

- DCF has provided required follow up training during April, May, and June on Shares eligibility and changes in the child care manual. This training is being provided in six locations geographically distributed throughout the state and will be made available via web-based technology.
- DCF is implementing changes to the CARES Worker Web to display the number of weekly hours of approved parent activity and a corresponding drop down list for verifying child care hours. Verifying the number of hours will be a new requirement for eligibility and will assist in setting up reasonable authorizations. The Department plans to implement these technological enhancements in the next 6-12 months.
- DCF is in the process of making the following changes to the Child Care Manual, to be released later in 2009:
 - Front End Verification guidelines will be expanded to offer agencies standardized instructions on how to conduct a front-end employment verification for child care.
 - Intentional Program Violations (IPV) guidelines will be expanded to offer agencies improved instructions on how to properly pursue and enforce program rules against fraudulent recipients and providers.
- The Program Integrity Enforcement System (PIES) will be implemented within the next month. The system, which is part of Child Care Statewide Administration on the Web (CSAW), will allow county caseworkers to enter corrected data for clients and providers and calculate over and underpayments automatically, replacing lengthy, manual processes.
- Milwaukee County has mismanaged income maintenance programs over a long period of time. Pursuant to passage of the current state budget, the state will assume control of child care eligibility and authorization functions on January 1, 2010, which will result in improved accuracy and reliability of eligibility determinations. This is further supported in the Milwaukee County child care audit that was also released today.

The Department also agrees with the report's indication that provider fraud is an issue that must be addressed in the Wisconsin Shares program. Department staff were actively involved in the investigations of child care proprietors in Eau Claire and Milwaukee Counties, who have recently been convicted and charged, respectively, in cases of child care fraud. We hope that these prosecutions will send a message to fraudulent operators that their criminal activities must stop, or they will face prosecution, but we know that we must do more:

- When Governor Doyle established the Department of Children and Families eleven months ago, he united the child care provider licensing and the Wisconsin Shares program into one division, and, in doing so, DCF has bridged the gap between provider regulators – the Department’s eyes and ears on the ground - and the staff processing and tracking child care subsidy claims. We have instituted new policy changes that include requiring child care licensors, at their regular, unannounced visits, to cross-check Wisconsin Shares enrollment totals to identify red flags, while continuing their primary focus of monitoring the safety of the provider’s facility. Licensors have also been directed to flag extraordinary enrollment incentives and businesses with previous attendance violations for our new Program Integrity Unit.
- The Program Integrity Unit, created when Governor Doyle signed 2009 Wisconsin Act 2 into law, provides additional staffing to DCF that will be devoted to identifying and mitigating Wisconsin Shares fraud and overpayments, including provider fraud. DCF is actively recruiting for these positions and will have the unit operational in the coming months.
- We are directing resources of the Program Integrity Unit, as well as child care licensing positions, to scrutinize child care centers operating second and third shifts. We have developed a priority list of possible fraudulent centers, based on analysis of reported data, and have begun to investigate those we most suspect of over-reporting attendance. This analysis will be conducted on a regular and on-going basis.
- Since July 2008, we have investigated and revoked nearly 70 child care licenses.
- We are in the process of creating an automated attendance system, which will link payments to actual attendance data (following legislative approval). The data from this system will assist us with better identifying suspicious usage patterns.
- DCF will launch a statewide Fraud Hotline for individuals to use to report suspected fraud and abuse of the child care subsidy program in the very near future.

Finally, the audit addresses the issue of child care “rings,” in which children are “exchanged” for purposes of accessing Shares reimbursements. The issue of extending child care subsidy to employees’ children is complicated for child care providers and parents. However, we agree that providers in business simply to share care-giving responsibilities for one another’s children (and few or no additional children beyond those of employees) should not have access to the Shares program. It is for this reason that we have worked with the Joint Finance Committee to include a provision in the biennial budget which requires child care providers that are receiving Shares payments to ensure that at least 60% of children in a child care setting are not children of employees.

With these efforts underway, we are optimistic about our ability to move forward with your recommendations.

The Department agrees with the key findings of the audit as follows:

- **Require applicants to provide documentation supporting claims of self-employment before their eligibility for child care subsidies is determined.** DCF staff will research the most effective approach for requiring this documentation and modify policies accordingly. DCF will update the Child Care Manual and will provide training to local counties and Tribes.
- **Provide immediate additional training to county and tribal staff on the resources available to them for verifying employment information and on the importance of consistently recording eligibility-related information in participants' electronic case files.** As referenced earlier, we have been conducting required trainings for county and tribal workers on Shares eligibility and the Child Care Manual. DCF staff is in the process of developing additional immediate and long-range training. We will update child care policies, publish and distribute the new policies, and provide training to W-2 agencies, counties, and Tribes.
- **Report back to the Joint Legislative Audit Committee by December 1, 2009, on the status of improvements to the eligibility determination and wage verification processes.** We will be prepared to report back to the Legislative Audit Committee by December 1, 2009.
- **Review the October 2008 attendance records maintained by the five providers that did not respond to our information request and ensure their records support the Wisconsin in Share subsidy payments received.** DCF staff will visit these providers, obtain attendance records, and take any necessary actions on these providers, including referral to law enforcement/district attorneys if information discovered warrants such action.
- **Develop procedures to better review and enforce provider compliance with child care laws and policies.** DCF has begun the process to review and re-write policies to provide clear guidance on the enforcement of child care provider compliance with child laws and policies. DCF will also explore methods of improving available training materials for child care providers.
- **Report to the Joint Legislative Audit Committee by December 1, 2009, on its progress in improving provider and participant compliance with program requirements.** We will be prepared to report back to the Legislative Audit Committee by December 1, 2009.

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- **We recommend the Legislature consider statutory changes to restrict subsidized child care for the children of licensed or certified child care providers in the Wisconsin Shares program.** DCF will continue to work with the Legislature on statutory changes while balancing the legitimate need for care of children of child care professionals.
- **We recommend that the Department of Children and Families report to the Joint Legislative Audit Committee by December 1, 2009, on the value of subsidies paid for the care of the children of participants who are employed by child care providers.** We will be prepared to report back to the Legislative Audit Committee by December 1, 2009.
- **We recommend the Department of Children and Families report to the Joint Legislative Audit Committee by December 1, 2009 on: the activities of the program integrity staff authorized in 2009 Wisconsin Act 2; and the status of efforts to better control program costs and identify and address fraud and abuse.** We will be prepared to report back to the Legislative Audit Committee by December 1, 2009.

In addition to your above recommendations, DCF also plans to research all the cases and child care providers cited in your report for investigation.

DCF is committed to improving the quality and efficiency of the child care program. The initiatives outlined above, in combination with the recommended changes contained in the audit report, represent our continued agenda to provide effective services in these needed programs.

I want to personally thank you and your staff for your professionalism and express my sincere appreciation for your assistance on our continual progress toward program excellence.

Sincerely,



Reggie Bicha
Secretary